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An Analysis of Progress and Development Towards Financial Inclusion

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ABSTRACT
In this study, we examine the initiatives, problems, successes, and potential of financial inclusion in India. Globally, "financial inclusion" has become a catchphrase for all types of equitable programmes. Many organisations across the world and in India have defined financial inclusion in their own terms, but they all agree that it involves making sure that the most marginalised members of society have access to sound financial products and services in a timely, fair, and transparent manner. Since it helps stabilise the economy and provide new jobs, financial inclusion is crucial for India, which has one of the world's fastest-growing economies. To include the country's numerous unbanked and underbanked citizens, the Reserve Bank of India and the government of India have adopted a number of groundbreaking measures. However, due to its size and cultural diversity, India has unique demand and supply issues. India's march toward financial inclusion began with independence, but the recommendations of the Rangrajan Committee in 2008 prompted policy changes. Since the PMJDY program's inception in 2014, India has come quite a ways and accomplished much. Its successes are cited as an example of the positive effects of extending access to financial services. But there is still a long way to go, and we need to find a new approach that should holistically involve all stakeholders in financial inclusion. After all, the point of financial inclusion is not merely to increase the number of bank accounts but rather to improve the quality of life of the financially excluded population through the formal financial system.

Keywords
Financial Inclusion, RBI, Achievement, Strategy, PMJDY

1. INTRODUCTION
Policymakers in India and elsewhere have made advancing social and economic progress their top focus. Due to its central role in fostering economic and social progress, financial inclusion has become an indispensable component of any comprehensive strategy for inclusive growth. The word "financial inclusion" has been defined in different ways by different world-class institutions, and its features have evolved through time as new methods of achieving financial inclusion have been adopted.

The purpose of this research is to examine the numerous ways financial inclusion has been defined and to propose a unified theory based on the commonalities between them. It will also go over the need for financial inclusion in India and the advantages it might bring to the country. This paper will examine the many initiatives and tactics adopted by the government, RBI, and corporate world in India to advance financial inclusion, as well as the difficulties encountered by these efforts from both the supply and demand sides of the equation. The successes and failures of India's efforts to expand its population's access to financial services will also be dissected in depth. In addition, this paper will attempt to lay out the future prospects and strategies for expanding access to financial services in India. Financial inclusion is defined in two ways: one by the Rangrajan committee report (2008), which states that it means "ensuring access to financial services and timely and adequate credit where needed by the vulnerable groups such as weaker sections and low-income groups at an affordable cost," and another by the financial sector reform committee headed by Dr. Raguramrajan, which states that it means "universal access to a wide range of financial services at a reasonable cost, which also includes providing microfinancing to small businesses." The term "financial inclusion" was coined by two ex-RBI deputy governors, KC Chakrabarty and SS Mundra, who defined it as "the process of ensuring access to appropriate financial products and services needed by vulnerable groups at an affordable cost in a fair and transparent manner by main stream institution players." Financial inclusion is defined differently by the World Bank and the International Monetary Fund. The World Bank considers persons with access to formal financial services (such as checking or savings accounts) and debit cards to be financially included. Most definitions boil down to this: financial inclusion is the timely and transparent provision of adequate and appropriate financial services to the vulnerable groups in society by banking and non-banking financial institutions.

1.1 Background
Indian efforts to broaden access to banking services stretch back before the country's independence. Some of the fundamentals of financial inclusion may even be described in the ancient texts Manu Smriti and Arthasastra. According to Lal's (2018) research, cooperative society action in pre-independence India was a minor step toward financial inclusion. Nationalization of banks in 1969 and again in 1980 was a critical step in bringing the masses into the formal financial system (Research Bulletin 2018). Although it did not target financial inclusion squarely, it did help farmers and small businesses access finance. The establishment of the National Bank of Agricultural and Rural Development in 1982 marked a further advancement in the direction of financial inclusion through promoting sustainable agriculture and rural development (Research Bulletin 2018).

2. NEED FOR FINANCIAL INCLUSION IN INDIA

India is a vast and culturally varied country that is still in the process of evolving. Many people still lack access to banking services, while others, such as the unemployed and the financially vulnerable, struggle to make ends meet. Rao (2018) argues that removing access barriers to financial services will free the poor from the grip of predatory lenders. Financial inclusion, according to research by Garg and Agarwal (2014), lessens vulnerability to economic shocks. According to Shetty and Hans (2018), women's financial inclusion leads to empowerment, while according to Goel and others (2019), women's financial inclusion boosts the entrepreneurial spirit. According to Inoue's (2018) study, there is a causal relationship between access to financial services and lower rates of poverty. Sharma (2008) investigates the relationship between access to financial services and growth in rural areas.

The Research Bulletin (2018) outlined further benefits, including teaching people to save and giving those who currently must rely on unofficial means of credit access to formal credit. Good governance will benefit from this as well, as it will help close the gaps and leaks in social programs. It will provide banks with access to a broad, reliable market. It'll level the playing field for making a living and help bring down the high price of banking services. With the support of widespread financial inclusion, a stable financial system can be established, and clients will have access to a wide range of financial products that are tailored to their specific needs. Due to the elimination of economic disparity, social inclusion will be facilitated, making it easier for emerging countries to construct prosperous economies. Although the aforementioned research suggests that improving health, education, and quality of life are all possible outcomes of financial inclusion, it is possible that more benefits exist. Research on the effects of financial inclusion on social inclusion is also necessary.

3. FINANCIAL INCLUSION INITIATIVE AND STRATEGY

Universal financial inclusion has been a public policy priority and national commitment for our country for a long time, as stated by Chakrabarty (2011). With more time having passed, the means to accomplish financial inclusion have become more substantial. KC Chakrabarty's advocacy of "financial inclusion" in 2005 gave the concept additional momentum in India (Research Bulletin 2018). India has always sought social and economic advancement in order to better the lives of its underprivileged citizens, and it has experimented with a wide variety of approaches to this end. Rao (2018) claims that prior to the recommendations of the Rangrajan committee in March 2008, financial inclusion was the purview of just the government and the Reserve Bank of India (RBI).

According to a 2018 research bulletin, there have been three distinct phases of financial inclusion in India, the first of which spanned the years 1960–1990 and focused on expanding access to credit for the country's poor. The second phase, from 1990 to 2005, focused on reforming financial institutions, while the third and present phase, from 2005 onwards, is dedicated to broadening access to and increasing the depth of the financial system.

According to Chakrabarty (2011), the banking industry needed to switch from a cost-centric approach to one focused on revenue generation in order to better serve its customers and create new business prospects. With its role as a financial sector regulator, the RBI has launched a number of "mission mode" efforts to promote financial inclusion.

Recent actions listed by Mundra (2016) include the introduction of new banking entities into the financial inclusion area, the promotion of mobile banking, digital wallets, mobile wallets, the Aadhar bridge payment system, and the Aadhar enabled payment system. To increase the availability of physical bank branches, the RBI has mandated that a branch be established in every hamlet with a population of more than 5,000 people. So that people might have faith in this new institution, the Reserve Bank of India (RBI) has also begun a registration of business correspondents (BCs) who have been verified as trustworthy. Another innovative step toward better tracking the progress made by banks under financial inclusion plans is the introduction of the Financial Inclusion Plan (2016–19).

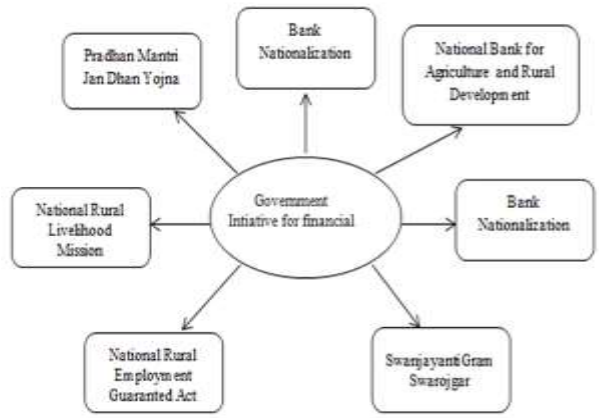

Figure 1: Research Bulletin (2018)

The Indian government has been working hard all year to get more citizens involved in the country's financial system. Government action is depicted in figure 1 of the Research Bulletin (2018).

Since launching PMJDY in 2014, the government has taken the initiative to bring the financially excluded into the official banking system, and since then, the financial inclusion landscape has shifted dramatically. With the no-frills account, interest on deposits, accidental insurance, life cover, Direct Benefit Transfer facility of the government scheme, overdraft facility, insurance and pension product access, and the RUPAY debit card, this scheme provides a comprehensive solution to the problem of financial exclusion (PMJDY website). While the Reserve Bank of India worked to expand financial services, the government worked to expand the capacity of those services. However, according to the Research Bulletin (2018), only a small number of projects, such as E-choupal, Haryali Kisan Bazzar, Project Sakti, etc., have been undertaken to increase financial inclusion. While the steps taken by the Reserve Bank of India (RBI), the Government of India (GoI), and India's banking institutions are certainly commendable, they nevertheless leave millions of individuals in need outside the reach of mainstream financial services. It is important to consider all the factors that contribute to their exclusion from the financial system as one works toward bringing them into it. Financial regulators, the government, and banks are the only institutions taking the initiative to broaden people's access to the financial system. Because the obstacles to financial inclusion are multifaceted and may be too much for one organisation to overcome, a comprehensive strategy that includes all relevant parties is necessary.

3.1Financial Exclusion: Obstacles and Problems

Financial inclusion initiatives and efforts planted by numerous stakeholders are beginning to bear fruit. The accomplishments are not to be disregarded because of the enormous number of formerly excluded people who have now entered the formal financial system. Because of India's size and diversity, the country faces a wide range of obstacles to widespread financial inclusion. Barriers to financial inclusion can be broken down into "demand side" and "supply side" issues. Non-availability of a suitable product, geographical barriers, and ineligibility due to legal documentation issues are examples of constraints on the supply side, while lack of financial literacy and cultural barriers on the demand side are examples of constraints on the demand side, as stated by Sarkar (2013). Dangi and Kumar (2013) found that a lack of legal identity was a supply-side obstacle, while a lack of disposable income was a demand-side barrier. Shetty and Hans (2018) found that one of the biggest barriers to financial inclusion was the subjugation of women in Indian society, despite the fact that women make equal economic contributions to males. Digital transactions face hurdles including complexity, illiteracy, security, mobile network operator reliability, transaction cost, and client data safety (Sinha et al., 2018). While there are some issues on the supply side, the problems with digital transactions stemming from the demand side are more significant.

Poor physical infrastructure like roads, bridges, etc., and high service costs are examples of challenges on the demand side, while lengthy paperwork, a security-based lending procedure, and inadequate banking facilities are examples of constraints on the supply side, as reported by Bhanot et al. (2012). Rural infrastructure, labour force engagement, poverty, and regional disparities were identified as problems with financial inclusion in a study by Sharma et al. (2018). Large dormant accounts, unprofessionalism among business correspondents (BC) and business facilitators, a technological challenge, the complexity of financial products, a lack of credit ratings for people, and constraints of physical and digital connectivity are some of the problems with implementing financial inclusion, according to the Research Bulletin (2018).

According to research by Baber and Zarvoua (2018), the religious beliefs of persons who are barred from the formal financial system due to their firm adherence to Islamic banking, such as those who practise Shariya banking within the Muslim community, can constitute a major barrier to their inclusion. According to Patwardhan (2018), a big problem for financial inclusion exists not just in emerging nations like India, China, Bangladesh, etc., but also in established countries like Europe and the United States.

4.ACHIEVEMENTS AND DVANCEMENTS THUS FAR

When it comes to money, India's most prized policy is one called "financial inclusion." Financial inclusion has implications for economic stability, which policymakers in India have recognized. The efforts of the government, the RBI, and the banking industry to include more individuals in the formal financial system are admirable. According to Mundra (2016), the number of people with a Basic Savings Bank Deposit Account (BSBDA) rose from 73 million in March 2010 to 469 million in March 2016, with 220 million of those accounts being opened as part of the PMJDY programme. The number of small accounts in the farming sector rose to 47.31 million in 2016 from 24.3 million in 2010, and the number of small accounts in the non-farming sector rose from 1.4 million in 2010 to 11.3 million in 2016.

There has been significant progress in the number of bank accounts opened in India, as reported by the World Bank Group in their 2018 Little Data Book on Financial Inclusion. India's rate of 79.9 percent is significantly higher than those of the rest of the world (68.5%), south Asia (69.6%), and low- and middle-income nations (57.8%). In addition to making great strides in the first three categories, India has also done well by opening six accounts for women. In terms of opening bank accounts in rural areas, India has likewise done admirably. A study by Rao (2018) found that the number of business correspondents (BC) rose dramatically between 2010 and 2017, going from 34,174 to 543,472. There has been a rise from 33,378 in 2010 to 51,830 in 2016 in the number of bank branches available to residents in the average hamlet. Since 2010, deposits to BSBDA have expanded by more than 15 times, reaching Rs 977 billion in 2017.

The PMJDY work was well received globally, as stated by Patwardhan (2018). It's the only known instance where so many new accounts were created in such a short period of time (258 million in just two years). Aadhar cards, by streamlining Know Your Customer (KYC) requirements, made this possible. Table 1 contains information about PMJDY recipients by category, as reported in the RBI's 2018–19 annual report.

Table 1: PMJDY beneficiaries as on 16-19

Bank Name	No of Beneficiaries at Rural/Semi Urban	No of Beneficiaries at Urban	No of Urban Beneficiaries Rural Female Beneficiaries	No Of Total Beneficiaries	Deposit in Account	No of Rupey Debit Card Issued to Beneficiaries
Regional Rural Bank	5.18	1.19	3.56	6.37	19295.99	3.86
Public sector Bank	15.87	13.80	15.61	29.66	83235.70	24.48
Private Sector Bank	0.71	0.55	0.68	1.27	2991.62	1.16
Grand total	21.76	15.54	19.84	37.30	105523.30	29.50

Table 2 of the annual report for 2018–19 sums up the success of priority sector lending, which includes loans to low-income groups, weaker sections, agriculture, MSME, and housing. This is in addition to the account opening under PMJDY and its magnificent achievement. This year, public, commercial, and foreign banks have exceeded their goal of 40% and attained an approximate objective of 42.5%.

Table 2: Effectiveness in Meeting Priority Sector Lending Goals, Measured in Billion Indian Rupees

End March	Private Sector Banks	Public Sector Banks	Foreign Banks
2018	8,046 (40.8%)	20,723 (39.9%)	1,402 (38.3%)
2019	10,190 (42.49%)	23,060 (42.55%)	1,543 (43.41%)

There has been a growth in the number of accounts and the total amount owed to the MSE sector, as reported in the 2018–19 fiscal year's annual report. Adjusted net bank credit (ANBC) to these sectors has also shown improvement. These industries help to even out regional disparities and create jobs. In Table 3 of this article, we have compiled a summary of the development of this industry.

Table 3: MSEs' access to credit

Year	No of account(million)	Amount outstanding(billion)	MSE credit (% of ANBC)
2017-18	25.9	11,493.5	14.6
2018-19	31.8	13,132.3	15.05

Since agriculture is the lifeblood of rural economies and still accounts for three-quarters of India's population, as well as providing jobs for three-fifths of the rural population that depends on agriculture for its livelihood, the government must prioritise ensuring a steady flow of credit to this sector. Table 4 of the annual report for 2018–19 shows that the actual flow of agriculture credit was higher than the target for the year, with the exception of the target for cooperative banks.

Table 4: Agricultural Credit Objectives and Outcomes, in Indian Rupee Billion

Year	Commercial Bank		Co-operative Banks		RRBs		Total	
	Targeted	Achieved	Targeted	Achieved	Targeted	Achieved	Targeted	Achieved
2017-18	7,040	8,711	1,560	1,503	1,400	1,412	10,000	11,626
2018-19	7,920	9,496	1,650	1,539	1,430	1,513	11,000	12,548

When it comes to providing farmers with access to enough and timely bank credit for their many needs, the Kisan Credit Card (KCC) is one of the most crucial credit delivery systems. You can see KCC's results over the past two years in Table 5. The 2018–19 annual report states that KCC has expanded into the animal husbandry and fishery industries, but the data shows that KCC has not significantly improved its performance over the previous year.

Table 5: Kisan credit card scheme Rs in Billion

Year	No of operative KCC (million)	Outstanding crop loan	Outstanding term loan
2017-18	23.52	3906.02	407.20
2018-19	23.63	4136.70	414.09

India has opened 18,096,130 accounts in one week, earning the country a certificate from the Guinness Book of World Records and widespread acclaim. On the other hand, it's also true that there are still a significant number of people who lack access to financial resources. While existing financial systems are making progress toward financial inclusion, additional research indicates that these systems need to be restructured in order to realise their full potential. Microfinance institutions have uneven penetrations, and like the banking sector, they have ignored places that have been overlooked, as stated by Shankar (2013). Although digital transactions are the future of financial inclusion in India (Sinha et al., 2018), many issues pertaining to the demand side of digital transactions have yet to be resolved. According to studies conducted by Sharma and colleagues (2018), PMJDY is more successful in states with low income and underdeveloped economies and in rural areas as opposed to urban ones; as a result, policymakers should embrace such policy criteria that do not fit everybody.

5. CONCLUSION

Appropriate, adequate, affordable, transparent, and vulnerable groups are frequently cited as defining characteristics of financial inclusion. There is no use in pursuing financial inclusion in India if we are lacking in some of its essential components, so it is essential that we work to improve all of them at once. Since the goal of financial inclusion is not only to expand the number of accounts, it is premature to declare success. Financial services may now be available in even the most remote areas of the country, but it will take some time for them to win the trust and confidence of the people living there. Instead of viewing financial inclusion as a charitable responsibility, financial institutions should view it as a lucrative business opportunity. This is an act of dedication rather than submission. Many Indians don't see the point in opening a bank account; financial inclusion aims to change that by giving account holders a reason to do so and fostering trust between customers and bank tellers. There are various fronts in the fight against financial exclusion, including people's attitudes and values, government laws, new technologies, improved infrastructure, and more. However, once these barriers are overcome, economic progress, social inclusion, a better educated and healthier future, and a successful life of higher quality are all possible.

One more facet of financial inclusion emerges from a survey of the existing research on the topic. While it is clear that the involvement of key stakeholders is essential to achieving the goal of financial inclusion, it has been noticed that these individuals lack the training necessary to answer the questions of the local population. Stakeholders, particularly banking correspondents, need training for progress to be made. Meta and mega policy shifts are required in the dynamics of financial inclusion before the ground level can be implemented. One of the first stages is to educate those who will teach others.

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